

Message Text

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73

ACTION AGR-20

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FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 2087

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AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

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STATE PASS AGRICULTURE AND STR

E.O. 11652: N/A

TAGS: EAGR, ECON, EEC

SUBJECT: LARDINOIS INTERVIEW CONCERNING EC AGRICULTURE POLICY

REF: EC BRUSSELS 5473

1. BEGIN SUMMARY: LARDINOIS EXPRESSED IN SEPT. 25 INTERVIEW
IN N.R.C. - HANDELSBLAD VIEW THAT EC NEEDS TO HAVE
GREATER PRODUCTION CAPABILITY IN PROTEINS TO HELP PROTECT MEMBERS
AGAINST VAGARIES OF WORLD SUPPLIES AND RISING PRICES. HE ALSO
BELIEVES PRODUCTION OF PROTEIN-RICH FOODS WILL HAVE TO BE INCREASED
AND OVER PRODUCTION, PARTICULARLY IN DAIRY SECTOR, CORRECTED.
DUTCH SOURCES BELIEVE LARDINOIS PRESS STATEMENTS POLITICALLY ORIENTED
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TO APPEASE FRENCH AND BUY TIME TO PROMOTE SUBSIDIES FOR SOYBEAN PRODUC-

TION RATHER THAN CAP WHICH DUTCH WOULD OPPOSE. END SUMMARY.

2. FOLLOWING PUBLICATION OF SEPT. 25 N.R.C. - HANDELSBLAD INTERVIEW WITH MR. P. LARDINOIS, AG ATT MET WITH A. DE ZEEUW, DIRECTOR GENERAL AGRICULTURE AND FOOD SUPPLY, TO DISCUSS DUTCH REACTION. FOLLOWING IS FREE TRANSLATION OF ARTICLE AND SUMMARY OF MEETING RESULTS.

3. FREE TRANSLATION FOLLOWS.

"LESS COSTS AND MORE BALANCE"

"IN ITS GENRAL LINES OUR AGRICULTURAL POLICY HAS NEVER APPEARED TO BE SO RIGHT AS JUST AT THIS MOMENT. LOOK AROUND YOU. AMONG THE LARGE REGIONS, THE DEVELOPING COUNTRIES, THE COMMUNIST COUNTRIES, THE U.S., JAPAN, NO ONE IS FACING LESS DIFFICULTIES WITH AGRICULTURAL PRODUCTION

AND FOOD SUPPLY THAN THE OLD EUROPE".

"Q. DO YOU MEAN THE EUROPE OF THE SIX?

"A. YES. BECAUSE THROUGH THE TRANSITION PERIOD, THE U.K. IS STILL FOCUSED ON THE WORLD MARKET. BECAUSE OF THIS, THE ENGLISH HAVE UNDERGONE INFLATIONARY IMPULSES WHICH THREATEN BOTH THE ECONOMY AND THE GOVERNMENT. WE ARE NOT FACED WITH THESE PROBLEMS, PROBABLY EXCEPT ITALY DUE TO THE SPECULATION AGAINST THE LIRE.

"Q. THE PROSPECTS ARE NOT VERY BRIGHT, HOWEVER?

"A. FOR THE BASIC FOOD ITEMS, PROSPECTS ARE INDEED SOMEWHAT DIM. A GRAIN SHORTAGE IS POSSIBLE FOR NEXT YEAR AND WOULD BRING ABOUT ALL KINDS OF SHIFTS AND PRICE PROBLEMS. THAT'S WHY IT IS GOOD THAT WE HAVE AN IMPORTANT PIECE OF OUR OWN LAND AT OUR DISPOSAL FOR THE PRODUCTION OF OUR BASIC FOOD ITEMS, GRAINS, MEAT, MILK. WHEN WE EVENTUALLY ARE AFFECTED, THEN IT IS ONLY ALONG THE SIDELINES.

"Q. WHAT DO YOU SEE AS THE NEGATIVE ASPECTS OF THE CAP?

"A. PERSONALLY, I THINK THAT OUR AGRICULTURAL POLICY COSTS MORE THAN IS NECESSARY. THIS BRINGS ABOUT SPECIFIC DANGERS, WHICH ALREADY BECAME VERY APPARENT DURING THE LAST FEW YEARS. WHEN THE COSTS

OF THE POLICY ARE MOUNTING TOO HIGH, ALSO BECAUSE OF THE NATURE OF OUR POLICY, THEN THE NET PAYMENTS TO THE AGRICULTURAL FUND ARE VERY HIGH ESPECIALLY FOR THE IMPORTING COUNTRIES. THE FEDERAL REPUBLIC OF GERMANY, THE U.K., AND ITALY ARE THE LARGEST NET PAYERS. IF THE UNCLASSIFIED

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COSTS TO THESE COUNTRIES GET TOO HIGH, THAT IS AN INCENTIVE FOR THEM TO TRY TO BRING CERTAIN NATIONAL INTERESTS UNDER THE AGRICULTURAL FUND OF THE COMMUNITY.

"Q. THEN THEY TEND TO MAKE THE FULFILLMENT OF THEIR WISHES A CONDITION FOR THEIR COOPERATION IN DECISION MAKING REGARDING THE POLICY AS A WHOLE. IN THIS WAY REGULATIONS WERE INSERTED IN THE POLICY THAT DO NOT FIT SO WELL. DO YOU THINK, ESPECIALLY, OF ITALY?

"A. NO. I ALSO THINK OF ALL THE OTHER MEMBER COUNTRIES. TAKE,

FOR INSTANCE, THE DENATURALIZATION PREMIUM FOR WHEAT.

"Q. THE DENATURALIZATION PREMIUM HAS BEEN REDUCED FOR THE NEW SEASON. THE COSTS FOR THE FUND ARE THUS GOING DOWN. THE USE OF BARLEY FOR FEED IS STIMULATED BECAUSE OF THE RELATIVELY INCREASING PRICES OF DENATURED WHEAT. LESS MONEY WILL BE SPENT ON BARLEY FOR INTERVENTION AND FOR EXPORT.

"A. INDEED, BUT FOR THE U.K., FOR INSTANCE, A HIGH DENATURALIZATION PREMIUM IS FINANCIALLY AND THUS ALSO POLITICALLY ATTRACTIVE. IN THIS WAY THEY CAN KEEP PART OF THEIR STERLING WITHIN THEIR OWN COUNTRY, WHICH THEY WOULD OTHERWISE HAVE TO PAY TO THE AGRICULTURAL FUND.

"Q. FROM YOUR EXPERIENCE ON BOTH SIDES OF THE NEGOTIATING TABLE, YOU KNOW BETTER THAN ANYBODY ELSE HOW DIFFICULT IT IS TO REMOVE NATIONAL INTERESTS (CREEP-INS) FROM THE COMMON POLICY. I REMEMBER EFFORTS TO MAKE CORRECTIONS IN THE OLIVE OIL REGULATIONS.

"A. THOSE EFFORTS FAILED BECAUSE IT WAS AN ISOLATED EFFORT. NOW WE ARE UNDERTAKING A SURVEY OF THE WHOLE AGRICULTURAL POLICY; WE ARE PUTTING OUR REGULATIONS IN THE PERSPECTIVE OF THEIR FINANCIAL CONSEQUENCES, NOW AND IN THE COMING YEARS. A REPORT, WITH WHICH WE COULD APPEAR BEFORE PARLIAMENT AND MINISTERS COUNCIL IN OCTOBER, SHOULD MAKE AGREEMENT POSSIBLE ABOUT THE FRAMEWORK OF CHANGES. I BELIEVE THAT WE COULD COME TO A MORE BALANCED POLICY WITH LOWER COSTS.

FURTHERMORE, WE HAVE TO DRAW OUR POLICY LINES FOR THE PERIOD 1973-78 BECAUSE THE NEW MEMBERS HAVE TO KNOW WHERE THEY STAND. NOW THEY HAVE TO ADHERE TO PRODUCTION RULES, WHICH WE SOMETIMES CONSIDER NOT SO GOOD. WE MUST WORK TOWARDS A RENEWING OF THE PRODUCTION GOALS FOR THE NINE.

"Q. DOES THIS MEAN THAT YOU WANT TO TOUCH ON THE INSTRUMENTS OF THE AGRICULTURAL POLICY?

"A. WE MUST NOT TOUCH ON THE PRINCIPLES AND THE INSTRUMENTS, ALTHOUGH THE LATTER ARE NOT ALWAYS SACRED IN THEIR DETAIL. WE HAVE TO LOOK AT THE PROBLEMS HOWEVER IN PERSPECTIVE OF THE WORLD TRADE NEGOTIATIONS
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IN GATT. WE HAVE TO BE CAREFUL FOR CONCESSIONS FROM ONE SIDE.

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YOU COULD SAY THAT THOSE WORLD TRADE NEGOTIATIONS HAVE SOME SLOWING EFFECTS. CERTAIN CHANGES ARE OF COURSE REQUIRED ANYWAY, BUT YET WE HAVE TO PROCEED CAREFULLY. AND AGAIN, CHANGES, ADAPTATIONS, IMPROVEMENTS SHOULD NOT BE AIMED AT ONE SECTOR, BUT TO THE TOTALITY. EVERY PARTNER WOULD ONLY ACCEPT LESS FAVORABLE CHANGES FOR HIM IN A CERTAIN SECTOR, IF THE OTHERS DO THE SAME. THUS, ONLY WORKING ON THE ENTIRE FRONT; OTHERWISE, SUCCESS IS NOT POSSIBLE.

"Q. EARLIER YOU SPOKE ABOUT A MORE BALANCED POLICY.

"A. A PART OF THE SUMS THAT WE CAN SAVE, WE CAN USE TO REACH MORE BALANCE. WE PROTECT OUR GRAINS, BUT WE HAVE A LIBERAL IMPORT POLICY FOR OIL-BEARING SEEDS AND PROTEIN (RICH) PRODUCTS, WHICH SERIOUSLY AFFECT THE USE OF OUR GRAINS AND WHICH ARE THE CAUSE THAT WE PRODUCE NOT ENOUGH PROTEIN-RICH FEEDSTUFFS OURSELVES TO FEED OUR LIVESTOCK. THIS IS A MATTER OF PRICE RELATIONSHIPS.

"Q. BUT YET YOU WOULD MAINTAIN THAT LIBERAL IMPORT POLICY?

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"A. THAT WE HAVE TO MAINTAIN IN PRINCIPLE. OTHERWISE, WE WOULD ACCELERATE THE INFLATION, MAKE THE TRADE RELATIONSHIP WITH THE U.S. MORE DIFFICULT, AND NEGLECT THE INTERESTS OF THE THIRD WORLD. BUT WITH THE MONEY WE SAVED, WE COULD COME TO A CERTAIN BASIC SUPPLY OF PROTEIN-RICH FOOD ITEMS THROUGH DEFICIENCY PAYMENTS. THEN WE REACH A SOMEWHAT LESS ONE-SIDED PRODUCTION AND YET THE TOTALITY WILL COST LESS. I WILL AIM FORCEFULLY TOWARDS A BROADENING OF THE BASIS OF OUR PRODUCTION, TOWARDS PREVENTION OF SURPLUS PRODUCTION IN

CERTAIN SECTORS. IN THESE SECTORS WE SHALL HAVE TO RATIONALIZE PRICE RELATIONSHIPS. WE OFTEN HAVE SURPLUSES BECAUSE THE PRICES ARE TOO HIGH.

"Q. IMPROVEMENT OF THE PRICE RELATIONSHIPS, ONE PRICE SOMEWHAT HIGHER, THE OTHER SOMEWHAT LOWER, WAS ALWAYS A DIFFICULT MATTER.

"A. WE MUST ALWAYS THINK ABOUT THE INCOME OF THE FARMER, THE INTERESTS OF THE CONSUMER, OUR POLICY REGARDING THIRD COUNTRIES, AND THE FINANCIAL MEANS THAT ARE REQUIRED. THE INFLATION MAKES PRICE INCREASES A DIFFICULT PROBLEM. WHAT WE NEED IS A LONGER-TERM POLICY, WHEREBY WE FREEZE PRICES OF SURPLUS PRODUCTS AS A WHOLE. IN PRACTICE THIS WOULD MEAN THAT THE EUROPEAN PRICES INCREASE ONLY SLIGHTLY, FAR LESS THAN THEY WOULD HAVE AT THE RATE OF INFLATION; FOR INSTANCE, ONE PERCENT AS COMPARED TO EIGHT PERCENT.

"Q. A LAST QUESTION: YOUR OPINION ABOUT THE BUTTER.

"A. THE DAIRY SECTOR IS THE BIGGEST SPENDER IN THE AGRICULTURAL FUND WITH A SHARE OF 40 PERCENT. THIS YEAR FOR THE FIRST TIME WE WERE ABLE TO REDUCE THE EUROPEAN BUTTER PRICE SOMEWHAT. THE BUTTER PRICES ARE TOO HIGH, CERTAINLY WHEN IN DUE TIME THE NEW MEMBER STATES HAVE PASSED THE TRANSITIONAL PERIOD. THE BRITISH ARE USED TO LOW PRICES. WHEN THEY HAVE TO PAY THE FULL PRICE IN DUE TIME, THEN WE RISK TREMENDOUS LOSSES IN CONSUMPTION LIKE WE HAVE EXPERIENCED

IN THE NETHERLANDS. THUS, THE EC PRICE MUST COME DOWN. IN ORDER TO MAINTAIN THE COMMON MILK PRICE AT A CERTAIN LEVEL, THE VALUES OF THE STRONGER DAIRY PRODUCTS HAVE TO BE INCREASED. JUST LIKE IN THE GRAIN SECTOR, THIS IS A MATTER OF PRICE RELATIONSHIPS.

"I. AND WHEN THE REVISION OF THE PRICE RELATIONSHIPS IS NOT SUFFICIENT TO PREVENT BUTTER MOUNTAINS?

"A. THEN THE PRODUCER HAS TO TAKE GREATER RESPONSIBILITY FOR THE SALE OF THIS PRODUCT. TO THAT EFFECT WE CAN APPLY DIFFERENT TECHNIQUES. THESE ARE ALL PROBLEMS FOR WHICH WE HAVE TO FIND A SOLUTION IN THE FRAMEWORK OF THE WHOLE PACKAGE, ALSO IN THE FRAMEWORK OF THE WORLD MARKET WHICH WILL LOOK DIFFERENT FROM NOW BY 1980".

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END ARTICLE.

4. DUTCH REACTION TO LARDINOIS COMMENTS: AG ATT MET DE ZEEUW, DIRECTOR GENERAL AGRICULTURE AND FOOD SUPPLY, LATE FRIDAY TO ASCERTAIN DUTCH REACTION TO LARDINOIS INTERVIEW AND DUTCH POSITION ON LIMITED SOYBEAN CAP PROPOSED BY EC COMMISSION. DUTCH BELIEVE LARDINOIS'

STATEMENTS POLITICALLY ORIENTED EFFORT TO APPEASE FRENCH AND BUY TIME TO PROMOTE SUBSIDIES FOR SOYBEAN PRODUCTION RATHER THAN FULL CAP TREATMENT WHICH DUTCH WOULD OPPOSE. DE ZEEUW POINTED OUT THAT MAXIMUM FRENCH SOYBEAN PRODUCTION WITHIN TWO YEARS WOULD COVER ONLY ONE PERCENT OF EC NEEDS

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